

M E M O

To: Housing Methodology Committee (HMC)
From: ABAG Staff
Date: October 17, 2006
Subject: **RHNA Allocation Methodology Scenarios – Round 2**

Background

As part of the Regional Housing Needs Allocation (RHNA) process, the Housing Methodology Committee (HMC) has been tasked with assisting ABAG staff in developing the methodology for allocating shares of the regional housing need to each city and county in the Bay Area.

By statute, there are nine factors that must be considered in developing the allocation methodology.¹ Factors are used to assign a share of the region's total housing need to individual jurisdictions. The factors cannot be used to change the total regional housing need. Therefore, the factors are always expressed as a share of the regional total. If used as factors, these same shares are then used to assign a proportion of the regional housing need to the jurisdiction.

Over the past several months, the HMC has been working to determine which factors should be included in the methodology. The committee's discussion has been framed by the need for the methodology to meet the statutory RHNA objectives as well as to further the Bay Area's regional goals for growth.

In the interest of developing the allocation methodology, the HMC requested that ABAG staff generate several possible allocation scenarios for their consideration. The scenarios include factors related to housing, jobs, and areas served by public transportation.

The first set of scenarios was discussed at the October 12th HMC meeting. The committee felt that we should be more consistent in matching job and housing growth, or jobs and housing at a single point in time. The HMC also asked us to look using jobs in transit areas in the methodology. This memo describes the scenarios that were developed based on feedback from the committee. The different ways of using these factors, and the policy implications of each, are also presented.

Revised Regional Allocation Scenarios

The HMC has identified three broad categories of factors to be considered for inclusion in the methodology:

- Housing
- Employment
- Access to public transit

¹ Government Code Section 65584.04(d).

The allocation scenarios are separated into two major categories. The first three scenarios include only factors related to housing and employment. They demonstrate a “Moderate Transit Emphasis” because they are based on *Projections*, which incorporates the regional smart growth principles to direct growth to existing communities and areas near public transit.²

The rest of the scenarios (Scenarios 4 through 10) are also based on *Projections*, but they include “transit” as an additional factor, and therefore represent a “greater transit emphasis”. Only existing, fixed transit infrastructure, such as heavy and light rail systems and ferries³ are included. Transit is included in four distinct ways: 1) housing growth near transit, 2) total housing (2014) near transit, 3) employment growth near transit, and 4) total (2014) employment near transit. The sample scenarios use the transit factor in various combinations of these four distinct variables to demonstrate different policy options.

All scenarios are based on the draft numbers from the *Projections 2007* forecast. These numbers are currently being reviewed by local governments, and therefore it is likely that some changes will occur. Also, the total regional need number in the scenarios is from the 1999-2006 RHNA period, and is used only for demonstration purposes. It is possible that the total regional need will be significantly higher for the 2007-2014 RHNA period.

Moderate Transit Emphasis

These scenarios focus on housing and jobs as the major determinants of future housing need. Projected household growth represents the need to provide housing for natural population increases. In addition, the presence of jobs in a community also generates demand for housing to accommodate workers. Over time, linking jobs to housing will result in a better jobs-housing balance throughout the region.

During the discussion of the first set of allocation scenarios at the October 12th HMC meeting, several committee members requested that we look at ways to better address jobs-housing balance more directly. Suggestions included looking at employed residents as a factor or making an adjustment for jobs-housing ratios. Staff explored using these types of factors, but found that the resulting allocation scenarios did not yield satisfactory outcomes, i.e. the result was numerous negative allocations. Therefore, the jobs-housing balance issue was addressed by placing more emphasis on existing employment centers and by only using housing growth in some of the scenarios presented below.

Scenario 1: Total Housing & Employment

This scenario equally weights a jurisdiction’s total households and total jobs in 2014. Using the totals for 2014 accounts for existing housing and employment, as well as the increment of growth expected between 2007 and 2014. This scenario results in more housing going to jurisdictions with existing high concentrations of both housing and jobs. Because jobs and housing are equally

² In 2002, ABAG’s Executive Board resolved to use the regional goals and Network of Neighborhoods vision as the basis for *Projections* forecasts. Since then, *Projections* assumes that, over time, local land use policies will move the region closer to meeting the regional goals. The policy-based *Projections* specifically forecast more growth in existing communities and near transit, while directing growth away from agricultural areas and open space.

³ The rail service providers included are: Altamont Commuter Express (ACE), Bay Area Rapid Transit (BART), Caltrain, San Francisco MUNI light rail, and Santa Clara Valley Transportation Authority (VTA) light rail.

weighted, this scenario does the least to improve existing jobs/housing imbalances in the region, as it maintains existing proportions of jobs and housing in each jurisdiction.

Scenario 2: Housing & Employment Growth

This scenario is equally weighted between a jurisdiction's expected growth in both households and jobs between 2007 and 2014. This scenario does not consider existing concentrations of either jobs or housing and so housing is not directed to areas where there are either large amounts housing or jobs in the region.

While this avoids putting additional housing where there is already lots of housing, it also emphasizes employment growth, where additional housing may be needed.

This scenario addresses jobs-housing balance based solely on future employment growth. It does not seek to adjust the existing balance between housing and jobs.

Scenario 3: Employment Emphasis

Scenario 3 has a strong employment emphasis. Household growth is equally weighted with total jobs (2014). However, this scenario does **not** consider the existing concentrations of housing, only planned household growth. In this way, housing is not directed to those areas that have already built a significant amount of housing. This scenario also uses 2014 jobs. The effect of this is to place more housing in jurisdictions with both large existing employment bases and in those that are anticipated to experience employment growth.

This scenario has the greatest potential for consistency between local and regional policy, for it considers both locally and regionally planned growth, and has a strong employment component. This scenario only directs housing to those jurisdictions that are planning for growth (according to a meld of regional and local policy via *Projections*.) It also directs housing to both existing and growing employment centers.

Greater Transit Emphasis

These scenarios include factors related to housing and employment, but add a factor to direct growth to areas with access to public transit. Choosing to include a factor in the methodology that directs growth to areas with public transit would reinforce the importance of encouraging growth in areas with a variety of transportation options. In effect, it would give extra weight to this regional goal, over what has already been done in the *Projections* forecast. It is expected that the most significant impacts from the use of the regional goals in *Projections* will not begin to take effect until 2010. Directing growth to areas with public transit in the methodology would ensure that this regional goal influences development patterns during the RHNA period.

Housing Emphasis

Scenario 4 & 5: Heavy Housing Emphasis

These scenario have a strong housing emphasis, as 80 percent of projected housing need is based on either existing households or projected growth – 60 percent overall housing or housing growth and 20 percent near transit. Scenario 4 is the more heavily weighted toward housing than Scenario 5, as it

uses total (2014) housing. Scenario 5 uses household growth, which only assigns units based on planned household growth, eliminating impact of existing housing stock.

Jobs are accounted for only 20 percent in each scenario. Existing job centers are considered in scenario 4, while only those areas expected to experience job growth are considered in scenario 5. Overall, these scenarios are heavily weighted toward housing as the primary determinant of housing need, with the added factor transit, either existing or planned homes near transit.

Scenarios 6 & 7: Moderate Housing Emphasis

Scenarios 6 and 7 both consider either total or planned employment near transit, however housing is still presented as the primary determinant of housing need. Scenario 6 considers existing and planned (2014) households and jobs, with additional weight given to existing and planned jobs in transit areas. This scenario offers consideration of existing concentration of housing and employment in all communities. Greater weight is given to communities that have existing and planned employment growth near transit. However, this scenario may not effectively address existing regional jobs/housing balance, for those areas with high concentrations of housing; especially those jurisdictions with transit are given a relatively higher share of the regional housing need (60 percent vs. 40 percent) than those with high employment concentrations.

Scenario 7 only considers housing and job growth, not existing concentrations of either. Only those areas with anticipated housing and job growth are considered, with greater weight given to communities with employment growth planned near transit. This scenario avoids placing housing in those communities with high housing concentrations; however, it also does not effectively address existing employment concentrations and therefore may not effectively address existing regional jobs/housing balance.

Employment Emphasis

Scenarios 8: Heavy Employment with Heavy Transit Emphasis

Scenarios 8 & 9 have the greatest emphasis on employment, while also considering transit. These scenarios assign units based 40 percent household growth, with no consideration of existing concentrations of housing. Therefore, these scenarios do not consider those areas in the region that are currently housing rich.

Both scenarios use total jobs as the highest determinant of regional need. In terms of transit, Scenario 8 uses 10 percent and Scenario 9 uses a 20 percent weight on those areas with planned employment growth near transit. Both of these scenarios may adequately address jobs-housing balance, as housing is directed to both existing employment centers and to areas with relatively high planned jobs.

Transit Combo

Scenario 10: Combo - Heavy Transit with Housing Emphasis

This scenario gives transit the highest emphasis of all the scenarios by giving 40 percent allocation to those jurisdictions with either planned housing or employment growth near transit. It also is the one example that is inclusive of all transit areas, i.e. those with both employment and housing. Those jurisdictions without transit would only be given an allocation based on overall household growth.

Because this scenario uses household growth factor that is applicable to all jurisdictions (those with and without transit), housing is the primary determinant of housing need.

Summary

The scenarios described above demonstrate the degree to which the regional housing needs methodology can be used to support regional housing policy. How housing, employment and transit are considered in the methodology can significantly alter the policy implications of the methodology.

- Current regional policy places incrementally more growth along major transportation corridors and at transit stations. Therefore, a housing need allocation that uses regional housing and employment as factors (Scenarios 1-3) would be inclusive of “transit” as a policy issue. Using transit as an additional direct factor (Scenarios 4-10) would give transit a greater degree of policy consideration. Those jurisdictions with transit, under scenarios 4-10 would receive a relatively higher proportion of the allocation than those jurisdictions without transit.
- Considering total existing and planned housing (2014) in the methodology gives those jurisdictions with existing relatively high concentrations of housing in the region – the most housing dense urban communities a relatively higher proportion of the housing allocation.
- Considering only housing growth gives those jurisdictions that are planning for housing growth (according to both regional and local policy) a relatively greater portion of the housing need.
- Considering existing and planned employment (2014) gives those jurisdictions with both high existing concentrations of jobs and planned job growth a greater share of the housing need. This may have the greatest impact in directing housing to job centers and may be most effective in addressing regional jobs-housing imbalance.